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DESKBY BOTH 041100Z  
FM PEKING 040920Z DEC 82  
TO IMMEDIATE FCO  
TELNO 817 OF 4 DECEMBER  
INFO IMMEDIATE HONG KONG.

*Lead in file.*  
*ARC 6/12.*

YOUR TELNO 584: FUTURE OF HONG KONG

1. AT LUNCH ON 4 DECEMBER ZHANG WENJIN SAID WE COULD EXPECT A REPLY SOON TO THE PROPOSAL I PUT TO HIM ON 19 OCTOBER. HE CONFIRMED THAT THE PERSONNEL CHANGES HAD SOMETHING TO DO WITH THE DELAY AND CITED THE NATIONAL PEOPLE'S CONGRESS AS ANOTHER CAUSE. HE SAID HE WOULD BE LEAVING THE MFA BY THE END OF THE YEAR. YAO GUANG (NOW AMBASSADOR IN PARIS) WOULD RETURN TO PEKING ON 10 DECEMBER AND WOULD SOON BE IN OPERATION AS VICE MINISTER RESPONSIBLE FOR WESTERN EUROPE (ZHANG DID NOT MAKE IT ABSOLUTELY CLEAR WHETHER OR NOT YAO WOULD TAKE RESPONSIBILITY FOR THE HONG KONG TALKS). HE ADDED THAT WU XUEQIAN WOULD BE ACCOMPANYING ZHAO ZIYANG ON HIS TRIP TO AFRICA, LATE DECEMBER TO MID JANUARY.
2. I SPOKE AS INSTRUCTED IN PARAGRAPH 1 OF YOUR TUR. ON THE FIRST POINT, ZHANG IMMEDIATELY STRESSED THAT THE KEY TO THE MATTER WAS OUR ACCEPTANCE THAT SOVEREIGNTY WOULD REVERT TO CHINA. WE SHOULD STUDY CAREFULLY THE STATEMENTS MADE BY DENG AND ZHAO TO THE PRIME MINISTER. IN ANSWER TO MY QUESTION HE REITERATED THAT WE COULD HAVE TALKS IN ANY CASE, BUT THESE TALKS COULD NOT MAKE PROGRESS UNTIL THE PREMISE WAS AGREED. IN FACT, HE SAID, THE SOVEREIGNTY ISSUE WAS ALREADY SOLVED. IT WAS SIMPLY A QUESTION OF WHETHER OR NOT WE WERE PREPARED TO GO ALONG WITH SOLUTION. IF WE DID, THE TALKS COULD MAKE RAPID AND EASY PROGRESS.
3. I REHEARSED OUR POSITION AS EXPLAINED BY THE PRIME MINISTER TO DENG, AND STRESSED THAT IT WAS NOT POSSIBLE TO CONSIDER SOVEREIGNTY IN THE ABSTRACT: WE NEEDED TO HAVE AN AGREED PACKAGE BEFORE THE MATTER COULD BE PUT TO PARLIAMENT WITH ANY HOPE OF PASSAGE. ZHANG TOOK CAREFUL NOTE OF THIS POINT.
4. ZHANG RAISED THE QUESTION OF THE TREATIES (BUT DID NOT REFER SPECIFICALLY TO THE PRIME MINISTER'S STATEMENTS IN HONG KONG) AND I RESPONDED WITH THE LINE AGREED. THE CHINESE NOTED THIS TOO.
5. I THEN MADE POINT 1(B) OF TUR AND MENTIONED THE RECENT REMARKS MADE BY LIAO CHENGZHI TO THE HONG KONG FACTORY OWNERS' DELEGATION. ZHANG WAS NOT APOLOGETIC. HE SAID THAT THERE WAS GREAT PRESSURE ON THE CHINESE TO TELL THEIR COMPATRIOTS CHINA'S BASIC POSITION. THEY HAD MADE GENERAL STATEMENTS ONLY, WHICH HAD NOT DAMAGED CONFIDENCE. THESE HAD NOT BEEN REPORTED IN THE CHINESE MEDIA. THEY DID NOT SAY MORE THAN THEY HAD TO AND INDEED HAD BEEN CRITICISED FOR NOT SAYING ENOUGH. I TOOK ZHANG UP ON THESE POINTS AND REBUTTED THEM. SOME OF THE LEAKS HAD NOT BEEN MERELY GENERAL BUT QUITE DETAILED. VIRTUALLY EVERYTHING THAT WAS SAID TO THE PRIME MINISTER WHILE SHE WAS HERE

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HAD NOW COME OUT FROM THE CHINESE SIDE. CONFIDENCE HAD BEEN AFFECTED. THE HONG KONG STOCK MARKET INDEX HAD BEEN FALLING STEADILY, AGAINST THE TREND IN OTHER MAJOR CENTRES. WE WERE ALSO UNDER PRESSURE TO STATE OUR POSITION BUT HAD RESISTED THE TEMPTATION TO RESPOND IN KIND. WE DID NOT WISH TO NEGOTIATE THROUGH THE MEDIA. ALTHOUGH ZHANG AGREED WITH THIS LAST POINT, IN GENERAL HIS RESPONSE ON THIS QUESTION WAS UNSATISFACTORY. BUT I AM SURE THAT THE MATTER IS QUITE BEYOND HIS CONTROL.

COMMENT

6. THIS WAS A USEFUL LUNCH AND ZHANG WAS FRIENDLY AND RELAXED. HE STRESSED THAT THIS WAS AN INFORMAL OCCASION IN WHICH BOTH SIDES COULD SPEAK MORE FREELY THAN AT OFFICIAL MEETINGS. IT IS PLAIN THAT WE SHALL BE PUT THROUGH THE WRINGER AGAIN ON THE SOVEREIGNTY PREMISE. ZHANG STRESSED REPEATEDLY THAT THIS WAS THE KEY. WITHOUT IT, TALKS WOULD CONTINUE TO BE QUOTE TALKS ABOUT TALKS UNQUOTE. AT THE SAME TIME, OUR POINTS IN PARAGRAPHS 3 AND 4 ABOVE WERE NOTED CAREFULLY BY THE CHINESE.

7. IT LOOKS AS THOUGH I MAY GET A NOT ENTIRELY NEGATIVE FORMAL RESPONSE FROM THE MFA IN THE NOT TOO DISTANT FUTURE. I MAY THEREFORE NOT NEED TO SEEK A CALL ON THE FOREIGN MINISTER IN DECEMBER. BUT WE SHOULD CONSIDER CAREFULLY WHAT TO DO IF IN ONE FORM OR ANOTHER THE CHINESE CONTINUE TO INSIST ON THEIR PREMISE. I SHALL HAVE AN OPPORTUNITY TO DISCULK THIS IN HONG KONG.

CRADOCK

FUTURE OF HONG KONG

LIMITED

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HD/PLANNING STAFF  
HD/PUSD  
PS  
PS/LOED BELSTEAD  
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